

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 EUR-25 ISO-00 PA-04 PRS-01 USIE-00

FEA-02 SSO-00 NSCE-00 INRE-00 NEA-14 AF-10 AEC-11

AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01

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FM AMEMBASSY QUITO

TO SECSTATE WASHDC IMMEDIATE 1409

INFO AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L QUITO 4009

DEPT PLEASE PASS TO ALL OPEC CAPITALS

BRUSSELS FOR ENDERS

E.O. 11652: GDS

TAGS: ENRG, OPEC

SUBJ: OPEC MEETING

1. HEADS OF DELEGATION MET IN CLOSED SESSION EVENING JUNE 15
TO BEGIN DISCUSSION OF MEMBERSHIP APPLICATIONS AND PRICE/TAX
QUESTIONS. SECRETARY GENERAL KHENE EMERGED DURING MEETING TO
TELL PRESS THERE WOULD BE NO STATEMENT. TRINIDAD-TOBAGO,
REPUBLIC OF CONGO, SEEKING OPEC MEMBERSHIP, WERE ADMITTED
ONLY AS OBSERVERS. APPLICATIONS OF BOLIVIA, COLOMBIA, AND
PERU FOR OBSERVERS TATUS WERE APPROVED. ECUADOREAN DELEGATES
INDICATED THAT THE MAJOR DECISIONS ON PRICE AND TAXES WILL NOT
BE MADE UNTIL JUNE 17 SESSION.

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2. IRAN, IRAQ, AND ALGERIA ARE LEADING PROPONENTS OF AN INCREASE IN PRICES IN ORDER TO REASSERT THE PRINCIPLE OF COMPENSATION FOR CURRENCY CHANGES AND TO ESTABLISH AN INFLATION COMPENSATOR THAT COULD BECOME A PERMANENT FEATURE IN PRICING. WHILE NOT NECESSARILY OPPOSED TO SUCH A PRICE INCREASE, SOME MEMBERS - VENEZUELA AND ECUADOR FOR TWO - ARE MORE INTERESTED IN THE PROPOSAL TO RAISE TAXES ON PETROLEUM COMPANIES. SAUDI ARABIA IS AT THE MEETING TO ARGUE FOR A REDUCTION OF PRICES AND TO OPPOSE A TAX INCREASE. AMERICAN JOURNALISTS WHO HAVE BEEN ABLE TO SEE YAMANI HERE BELIEVE THAT THE SAUDI CONVICTION IS SINCERE AND FIRM, BASED ON A PERCEPTION THAT PRESENT PETROLEUM PRICES ENDANGER WORLD ECONOMIC STABILITY AND BURDEN SAUDI ARABIA'S INTERNATIONAL POLITICAL RELATIONS. WHILE THERE IS NO CHANCE OF YAMANI'S CONVERTING THE OPEC TO THE SAUDI VIEW, HE IS EXPECTED TO TRY.

3. IN SPECULATING ABOUT THE OUTCOME, MANY OBSERVERS EXPECT ON THE BASIS OF PAST FORM THAT THE CONFLICT OVER PRICE MAY RESULT IN AN OPEC DECISION TO FREEZE PRICES FOR ANOTHER QUARTER AND THAT THE TAX QUESTION WILL BE LEFT TO THE INDIVIDUAL MEMBERS TO IMPLEMENT AS THEY SEE FIT. ECUADOR'S OPEC GOVERNOR ANNOUNCED THIS AS THE PROBABLE OUTCOME BEFORE THE CLOSED SESSIONS BEGAN. AMONG MIDEAST PETROLEUM ANALYSTS FROM THE U.S. PRESS, HOWEVER, THERE IS A BELIEF THAT ANY DECISIONS MAY BE OVERRUN BY OTHER DEVELOPMENTS SOON. THE UPCOMING SAUDI-ARAMCO SETTLEMENT; THE EQUITY, DIRECT SALE AND BUYBACK TERMS IT CONTAINS; THE SUBSEQUENT LEVEL OF SAUDI PRODUCTION; AND THE REPERCUSSIONS ON OTHER PERSIAN GULF SETTLEMENTS CAN, THEY BELIEVE, CREATE A NEW SITUATION IN THE NEAR FUTURE.

BREWSTER

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